



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: The Charlotte Hungerford Hospital
Herbert H. Shettler, M.D., P.C. d/b/a
Urology Center of Northwest Connecticut, LLC

Docket Number: 03-30055-CON

Project Title: Establish Lithotripsy Service in Torrington

Statutory Reference: Sections 19a-638 and 19a-639, Connecticut General Statutes

Filing Date: July 11, 2003

Hearing: Waived

Decision Date: August 22, 2003

Default Date: October 9, 2003

Staff Assigned: Steven Lazarus

Project Description: The Charlotte Hungerford Hospital (“Hospital”) and Herbert H. Shettler, M.D., P.C. d/b/a Urology Center of Northwest Connecticut, LLC (“Applicants”) propose to establish a lithotripsy service Torrington. The total capital cost of the proposal is \$490,500, which represents the fair market value of the lithotripsy equipment.

Nature of Proceedings: On July 11, 2003 the Office of Health Care Access (“OHCA”) received The Charlotte Hungerford Hospital and, Herbert H. Shettler, M.D., P.C. d/b/a Urology Center of Northwest Connecticut, LLC’s Certificate of Need (“CON”) application seeking authorization to establish a lithotripsy service in Torrington. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

The Applicants requested a waiver of public hearing for the CON application pursuant to Section 19a-643-45 of OHCA's Regulations and claimed that the proposal was non-substantive as defined in Section 19a-643-95(3) of OHCA's Regulations. On July 17, 2003, the Applicants were informed that the CON application was eligible for consideration of waiver of public hearing, and a notice to the public was published in *The Register Citizen* (Torrington). OHCA received no comments from the public concerning the Hospital's request for waiver of hearing during the public comment period, and therefore on August 4, 2003, OHCA granted the Applicants' request for waiver of hearing.

OHCA's authority to review and approve, modify or deny this application is established by Sections 19a-638 and 19a-639, C.G.S. The provisions of these sections, as well as the principles and guidelines set forth in Section 19a-637, C.G.S., were fully considered by OHCA in its review.

Findings of Fact

Clear Public Need

Proposal's Contribution to Accessibility of Health Care Delivery in the Region Impact of the Proposal on the Interests of Consumers of Health Care Services and Payers for Such Services

1. The Charlotte Hungerford Hospital ("Hospital") is a nonprofit acute care hospital located at 540 Litchfield Street, Torrington, Connecticut. (*July 11, 2003, CON Application, page7*)
2. Herbert H. Shettler, M.D., P.C., ("Applicant") is a private physician's office that provides urology services at 538 Litchfield Street, in Torrington. During the CON review period the Applicant changed its name to Adult & Pediatric Urology of Northwest Connecticut, PC. The practice currently consists of four urologists and Herbert H. Shettler, M.D. and James F. Devanney, M.D. are the principals of this practice. The practice intends to add an additional urologist, for a total of five. (*April 29, 2003, Letter of Intent and July 11, 2003 CON Application transmittal letter*)
3. The Urology Center of Northwest Connecticut, LLC ("Center") is a joint venture between the Hospital and the Applicant for the purpose of providing lithotripsy services in Torrington. It is proposed that the Hospital will have 50% ownership of the Center and Drs. Shettler and Devanney will each have 25% ownership. (*July 11, 2003 CON Application, Attachment 9*)

4. The Applicants proposes to establish a lithotripsy service to be operated in a suite adjacent to the Applicant's office at 538 Litchfield Street in Torrington at a total capital cost of \$490,500. The service will be operated one day per week. *(April 29, 2003 Letter of Intent, page 8 and July 11, 2003, CON Application, page 1)*
5. Connecticut Lithotripsy, LLC currently provides lithotripsy services at the Hospital's Winsted campus one half day per month. This service was authorized on March 29, 1999 under Docket Number 99-515R. An additional day was approved in August 2002 under CON Determination Report 02-Q2 for a period of 6 months to eliminate backlog. *(April 29, 2003, Letter of Intent, page 8)*
6. Connecticut Lithotripsy, LLC will continue to provide services in Winsted. *(July 11, 2003, CON Application, page 2)*
7. The Applicants currently provide lithotripsy services to an average of 10.5 patients per month at the Winsted location. In addition, approximately 5-6 patients are referred to other locations for lithotripsy services or are treated using alternative procedures each month. *(July 11, 2003, CON Application, page 2)*
8. The average waiting time for a lithotripsy procedure at the Winsted location is 8 weeks. *(July 11, 2003, CON Application, page 2)*
9. The service area for this CON application consists of the following towns: Cornwall, Goshen, Harwinton, Litchfield, Morris, New Hartford, Norfolk, Thomaston, Torrington and Winchester. *(April 29, 2003, Letter of Intent, page 8).*
10. The Applicants provided the following utilization projections for the lithotripsy service offered at Winsted and Torrington, based on current use rates, the addition on one urologist and an increase of 1 procedure per month.

Table 1: Utilization Projections by Fiscal Year

Fiscal Year	Procedures
2004	218
2005	230
2006	242

(July 11, 2003, CON Application page 3)

**Financial Feasibility of the Proposal and its Impact on the Applicants' Rates
 and Financial Condition
 Impact of the Proposal on the Interests of Consumers of Health Care Services
 and Payers for Such Services**

11. The Applicants propose to acquire a Medispec Lithotripter with a capital lease with an interest rate of 4.74% and a term of 5 years. *(July 11, 2003, CON Application, page 11)*
12. The Applicants' proposal includes the following cost components: *(July 11, 2003, CON Application, page 10)*

Table 2: Applicants' Total Proposed Capital Cost

Description	Amount
Medical Equipment (Purchase)	\$45,500
Non-Medical Equipment (Purchase)	5,000
Total Capital Expenditure	\$50,500
Medical Equipment (FMV)	\$320,000
Imaging Equipment (FMV)	60,000
Total Capital Cost	\$380,000
Capitalized Financing Cost	\$53,920
Total Capital Expenditure	\$433,920

13. The Applicants' projected payer mix during the first three years of operation of the proposal is based on the current experience at the Winsted Campus and is as follows: *(July 11, 2003 CON Application, Page 12)*

Table 3: Applicants' Three-Year Projected Payer Mix

Payer	Year 1	Year 2	Year 3
Medicare	24%	24%	24%
Medicaid	4%	4%	4%
TriCare			
Total Government	28%	28%	28%
Commercial Insurers	69%	69%	69%
Self-Pay	3%	3%	3%
Workers Compensation			
Total Non-Government	72%	72%	72%
Uncompensated Care			
Total Payer Mix	100%	100%	100%

14. The Applicants are projecting the following gain from operations related to the proposal:

Table 4: Financial Projections by Fiscal Year

Fiscal Year	Revenue Dollars
2004	\$292,847
2005	461,201
2006	492,058

(July 11, 2003, CON Application, Financial projections)

The Hospital will receive 50% of the revenue associated with this proposal.

Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines

The following findings are made pursuant to other principles and guidelines set forth in Section 19a-637, C.G.S.:

15. There is no State Health Plan in existence at this time. *(July 11, 2003, CON Application, page 2)*
16. The Applicants have adduced evidence that this proposal is consistent with their long-range plans. *(July 11, 2003, CON Application, page 2)*
17. The Hospital has improved productivity and contained costs through energy conservation, reengineering, and group purchasing. *(July 11, 2003, CON Application, page 11)*
18. The proposal will not result in changes to the Hospital's current teaching and research responsibilities. *(July 11, 2003, CON Application, page 7)*
19. There are no distinguishing characteristics of the patient/physician mix of the Hospital. *(July 11, 2003, CON Application, page 7)*
20. The Hospital has sufficient technical, financial and managerial competence to provide efficient and adequate service to the public. *(July 11, 2003, CON Application, page 5 and Attachment 1)*

Rationale

Charlotte Hungerford Hospital (“Hospital”) and Adult and Pediatric Urology of Northwest Connecticut (formerly known as Herbert H. Shettler, M.D., P.C. (collectively known as the “Applicants”) propose to establish a lithotripsy service in Torrington. The Urology Center of Northwest Connecticut, LLC, which is a joint venture between the Applicants, will provide the service. The total capital cost of the proposal is \$490,500, which represents the fair market value of the lithotripsy equipment.

Connecticut Lithotripsy, LLC, currently provides lithotripsy service on the Hospital’s Winsted campus for one and one half days per month. This service was authorized under Docket Number 99-515R and Report Number 02-Q2. Currently, 10 ½ patients are treated each month on average. The waiting time for the service is 8 weeks. Due to the scheduling backlog, approximately 5-6 patients are referred to other locations or are treated using alternative procedures on a monthly basis. The Applicants anticipate that the scheduling backlog will increase due to the addition of a urologist to the region. The Applicants are proposing to establish a lithotripsy service in Torrington that will initially be operated one day per week. Services will continue to be offered in Winsted. The implementation of the proposal will allow the Applicants to reduce the waiting time for lithotripsy services and will result in improved quality and access of health care in the region.

With respect to the financial feasibility of the proposal, the Applicants propose to acquire a Medispec Lithotripter with a capital lease with an interest rate of 4.74% and a term of 5 years. The Applicants’ volume projections are 218, 230 and 242 patients for the first three years of operation, respectively. The Applicants project gains from operation related to this project of \$292,847, \$461,201 and \$492,058 for the same time period. Based on the projected utilization for the proposal, these financial projections appear reasonable and achievable.

Based on the foregoing Findings and Rationale, the Certification of Need application of The Charlotte Hungerford Hospital and Herbert H. Shettler, M.D., P.C., d/b/a Urology Center of Northwest Connecticut, LLC, to establish a lithotripsy service in Torrington is hereby **GRANTED**.

Order

The request of The Charlotte Hungerford Hospital and Herbert H. Shettler, M.D., P.C., d/b/a Urology Center of Northwest Connecticut, LLC to establish lithotripsy service in Torrington, is approved subject to the following conditions:

1. The authorization shall expire August 22, 2004. Should the project not be implemented by that date, the Applicant's must seek further approval from OHCA to complete the project beyond that date.
2. The approved capital cost is \$490,500, which represents the fair market of the equipment.

All of the foregoing constitutes the final order of the Office of Health Care Access in this matter.

By Order of the
Office of Health Care Access

Date signed:
August 22, 2003

Signed by:
Mary M. Heffernan
Commissioner